



THULAMELA MUNICIPALITY

REVENUE ENHANCEMENT STRATEGY

1. INTRODUCTION

The Revenue Enhancement Strategy was approved February 2016, and this is the review of the existing strategy.

Section 64 of the Municipal Finance Management Act prescribes that management of Revenue collection is of vital importance in determining the going concern status of the municipality.

The municipality is expected to operate efficiently, effectively and economically, therefore revenue, spending and asset management, are vital components to the sustainability of the Municipality. For the municipality to ensure sustainability of service delivery and infrastructure development, it needs a healthy cash-flow.

It is key, that the municipality must have a credible, fair and transparent mechanism in its endeavors to increase/improve revenue collection from debtors.

The Revenue collection should not be limited to debt collection but alternative revenue sources must also be considered.

The document may require annual review based on the changing economic conditions and political environment.

2. STATUS QUO ANALYSIS

For current revenue base, see below the statement of financial performance,

For period ended 30 June 2015 Total revenue was **R857, 316,362**

Grants	- 61.56% of total revenue
Property Rates	- 12.29% of total revenue
Service charges	- 5.48 % of total revenue
Other Revenue	- 13.04% of total revenue

2.1 Statement of Financial Performance.

This statement shows how much revenue was generated for a specific period, including municipal services billed revenue.

At 30 June 2015 the statement of financial performance shows the following:

Statement of Financial Performance			
Figures in Rand	2015		2014
Revenue			
Revenue from non-exchange transactions			
Property rates	105,359,782.90	12.29%	35,148,268.44
Fines	16,511,173.41	1.93%	13,144,283.90
Government grants & subsidies	527,801,689.00	61.56%	446,140,358.70
	649,672,645.31		494,432,911.04
Revenue from exchange transactions			

Service charges	46,994,954.45	5.48%	43,502,194.66
Rental of facilities and equipment	684,389.43	0.08%	548,262.59
Interest on outstanding debtors	17,251,896.02	2.01%	14,213,783.77
Licences and permits	12,595,194.74	1.47%	12,474,632.81
Other revenue	111,804,742.72	13.04%	26,822,873.92
Interest received - investment	18,312,539.09	2.14%	15,662,844.47
	207,643,716.45		113,224,592.22
Total Revenue	857,316,361.76		607,657,503.26

The above shows the municipality relies mainly on Grants to finance its activities.

2.2 Municipal Cash received.

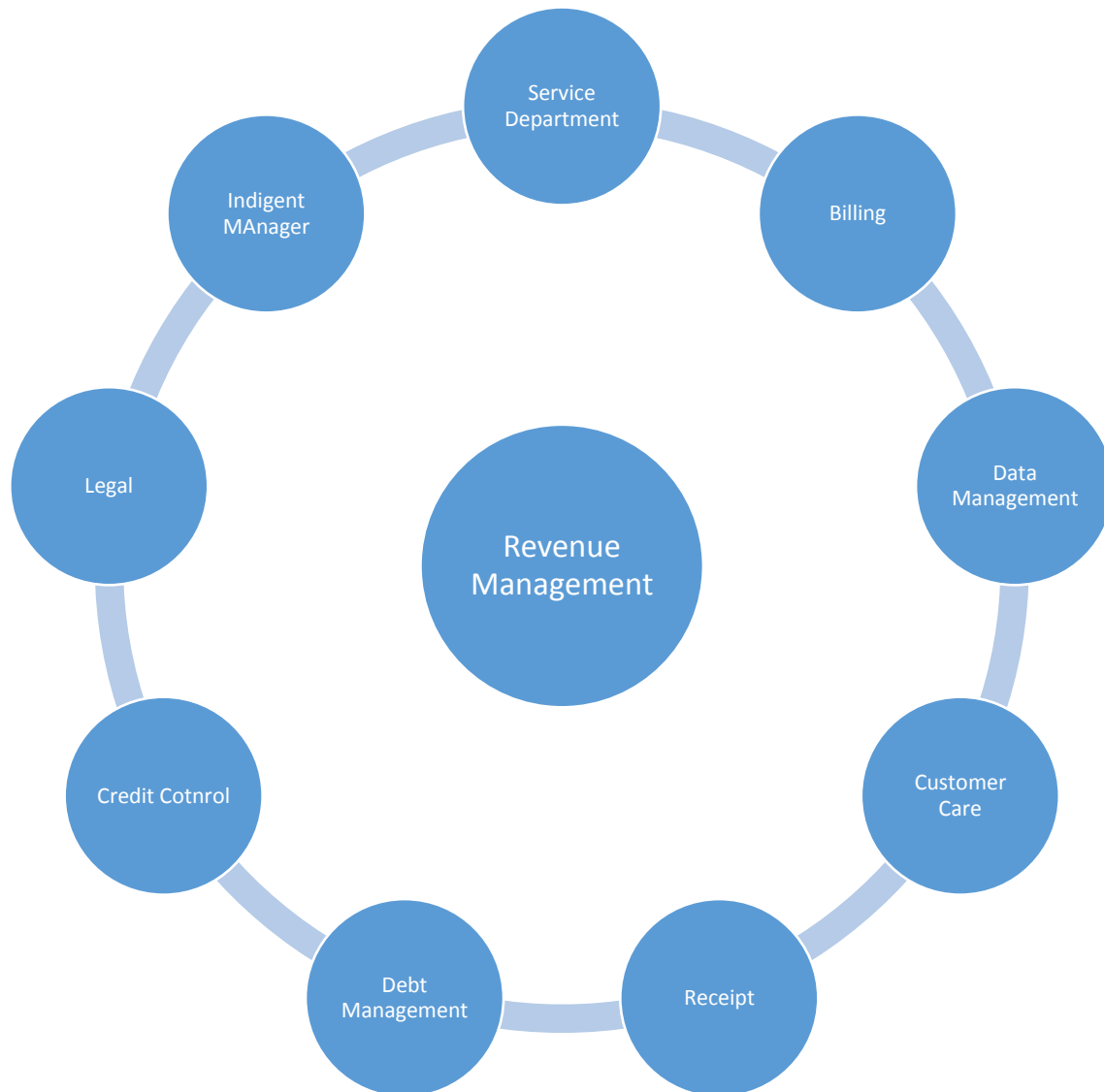
At 30 June 2015 the cash that was received by the municipality as per the Cash Flow statements was as follows:

Cash Flow Statement			
Figures in Rand	2015		2014
Cash flows from operating activities			
Receipts			
Cash receipts from taxes, levies and fines	39,792,605.25	5.96%	25,810,221.21
services charges	77,612,801.62	11.62%	-6,903,886.77
Grants	495,630,831.00	74.21%	422,579,285.70
Interest income	35,564,435.11	5.33%	27,321,796.24
Other receipts	19,275,134.27	2.89%	47,970,467.90
	667,875,807.25	100.00%	516,777,884.28

The above shows that Grants comprised 74.21% of all revenue received in 2015 financial year, while other receipts shows only 2.89%. What are other receipts? Paragraph 4 below will deal with other receipts in details.

3. STRATEGIES FOR REVENUE ENHANCEMENT – DEBTORS

REVENUE MANAGEMENT CIRCLE



3.1 SERVICE DEPARTMENT

Satisfactory service delivery by all departments

The responsibility for revenue enhancement lies with all departments within the municipality, as each municipal department have a role to play in order to achieve/maintain healthy financial status.

It must be understood that revenue collected from billed services come with its serious conditions that may be difficult to fulfill on municipal side. Once the residence are billed for municipal services, they

generally starts to feel the financial burden imposed on them and begin to realize they are entitled to services.

The inability of the municipality to provide such services, may result in demonstrations by consumers, and many times this comes with conditions that before their complaints are attended to, there will not be any payments of municipal services.

All departments must render satisfactory services to consumer or do their part regarding service delivery as customer pay for services that they have seen.

3.2 BILLING

Service accounts billing should be complete, accurate and timeous. Service account should be sent to consumers monthly. We must consider other methods for notifying consumers about their accounts. For example MMS, Emails and SMS.

3.2.1 Correct Valuation of properties.

Investigation/Audit of all Assessment Rates Accounts based on Land Value shows that some property owners are not being charged for improvements. Municipal Valuer to expedite process of including all properties on the valuation roll.

3.2.2 Availability of list of sites billed for refuse (including correct routes)

Refuse charges must be complete and accurate based on the list of sites where the service is rendered.

3.2.3 Obtain title deed information per property

All sites sold must be registered with the Deeds on purchaser's names, this will enable correct classification rather than maintaining properties on municipal name.

3.2.4 Correct billing of services

- Investigate all accounts that appear to have incorrect billing, e.g. rural accounts with refuse removal;
- Correctly classify each account according to the correct type of debtor (e.g residential);
- Consolidation of duplicate customer profile/ accounts.
- Consider the use of Information systems to effectively manage the accuracy of consumer data. E.g the GIS should also be able to assist the finance department in billing municipal services.

3.2.5 Tariffs

The following questions must be addressed:

- For trading activities, is the municipality getting profit on services rendered?
- Are the municipal tariffs cost reflecting?
Cost benefit analysis for trading services should be made and be used to determine the tariff for that service.

3.3 DATA MANAGEMENT

- The consumer accounts on the financial statements must be correct and complete. This will be done by matching all accounts with the information on the site file.
- All sites registered with the Deeds office must have a GIS code on the financial system and consumer accounts must be opened for all accounts that exist as per files.

- Ensure debtor information and debtor classification is correctly classified;
- Updating consumer database with the latest consumer information is very critical. This will enable credit control to function effectively. For example, Contact numbers, ID numbers, Postal addresses, Classification of Debtors

3.4 CUSTOMER CARE

Customer service desk must be established where all queries will be logged and attended to within the prescribed period.

All queries registered should be properly referenced and the complainant should remain with a copy of the query.

Consider the use of customer care service system which will be used to register all queries and update on the status of the issue.

3.5 RECEIPT

Cash receipts

All receipts must be receipted correctly into the financial system and banked the following business day. All revenue collected must be properly accounted for and shortages must be managed.

3.6 DEBT MANAGEMENT

- Debtors must be motivated to pay their accounts and debt must be monitored on a monthly basis. This will involve communicating with customers and encourage those with long outstanding debts to make arrangements.
- The services accounts must be delivered to consumers on monthly basis.
- The debt collection program must be focused on rehabilitating the debtor, not to punish him or her. Upon rehabilitating the debtors, consumers will have to be educated on municipal systems, processes, payment of services, maintaining infrastructure and more.

Clearance Certificate

- Clearance certificate for transfer of site is issued only after all outstanding fees for the sites were paid.

3.7 CREDIT CONTROL

The credit control policy must be implemented and outstanding debts must be handed over the debt collector. Monitoring of debt collector is very crucial for successful credit control.

The Credit control division of the municipality must not be neglected, it must be strengthened with human resources in order to function effectively.

3.8 LEGAL

The municipal Legal division plays a very crucial role in revenue enhancement as it must support the Department regarding compliance with laws and regulations

Establishment and legalization of municipal by-laws lies within the Legal division of the municipality.

3.9 INDIGENT REGISTER.

According to 2015/16 Thulamela Municipality IDP, the population of this municipality is Unemployment is currently at 10% according to Thulamela Municipality IDP document 2015/16 financial year. This suggests that significant number of Thulamela population are indigents.

The indigent registration process must follow the council approved policy and evaluation criteria to ensure that only qualifying debtors are subsidized.

This process must be properly communicated and administratively the municipality must be able to handle and process the new applications effectively and efficiently. It is also imperative that all applications will only be valid for the current financial year and those consumers renew their registration on an annual basis.

The indigent registration process and its verification will be championed by Finance department. Other verification methods must be implemented e.g. use of WINDEED or ITC Bureau.

4 Other revenue

The financial information identifies the following as significant revenue sources that forms part of “**Other revenue**” and management should ensure that they are implemented fully.

Below listed are some minor revenue sources for Thulamela Municipality. Through engagements with the relevant departments we have to establish whether maximum revenue is derived from these sources.

Dept	Item	Item Name	Responsible department
57	1036	Selling of sites	Planning and Development
57	1015	RURAL LAND SALES	Planning and Development
35	1039	Tender Documents	Planning and Development
57	1031	PLAN APPROVAL	Planning and Development
41	1156	ADVERTISEMENT	Community Services
53	1004	BURIAL FEES	Community Services
57	1041	TRANSFER FEES	Planning and Development
57	1220	APPLICATION OF DEED GRANT	Planning and Development
35	1064	CONFIRMATION \ STATEMENTS	Finance
35	1006	Clearance Certificates	Finance
35	1110	REGISTRATION FEE ON SUPPLIER	Finance
57	1038	Site Identification	Planning and Development
35	1365	PRINTING STATEMENTS	Finance
41	1127	PROMOTIONS	Community Services

35	1216	APPLICATION OF SUBDIVISION	Planning and Development
57	1361	NAME CHANGE	Planning and Development
35	1195	COMISSION	Community Services
57	1326	REZONING	Planning and Development
57	1029	PENALY FEE	Community Services
41	1210	POUND FEE	Community Services
35	1122	DUPLICATE COPY	Community Services
57	1216	APPLICATION OF SUBDIVISION	Planning and Development
57	1035	REGISTRATION FEES	Planning and Development
3	1041	TRANSFER FEES	Planning and Development
57	1312	PERMISSION TO OCCUPY	Planning and Development
35	1310	BREAKDOWN FEE	Community Services
11	1127	ROAD SHOW	Community Services
11	1158	PROMOTION	Community Services

- ❖ The following must be investigated
 - Are control measures available to ensure Municipality collected maximum revenue?
 - Do we keep register of services rendered
- ❖ All the above listed sources of revenue need to be monitored and manages to ensure maximum revenue is collected.
- ❖ Review and report on the potential losses of revenue by looking into the following: rental agreements, advertising agreements, unused municipal buildings, unbilled consumers etc;
- ❖ Do we have By-laws to effect these revenue collection?

5 TRAINING AND MENTORING OF STAFF

Setting up and training on Systematic Debt Collection and Credit Control Procedures, processes, Legislation, Customer Care and Guidelines in line with approved policies. Training and capacity building is an area that has been neglected and has accounted for low morale

6 EXPENDITURE MANAGEMENT.

As important as Revenue Management, is Expenditure Management which is also prescribed per Section 65 of the Municipal Finance Management Act.

In respect of Cash Outflow (Expenditure side) the following is also critical because how you spend is just as important as collecting revenue.

Responsible spending is important and the following, inter alia, are some of the questions to be considered:

- Is the expense budgeted and does it provide value for money?
- Is the expense to the benefit of the wider community?

- Is it a funded mandate?
- Is there a contractual commitment?
- Is the expense income-generating?
- Is the expense the best option?

The following areas must be well managed and in certain areas, improved:

- Ensure accurate payments, e.g. no overpayments.
- Reconciling of Creditors' Accounts.
- Pay within the prescribed timeframes.
- Ensure value-for-money in spending.
- Strict Budgetary Control / Fiscal Discipline.
- Better returns on Investments without compromising safety of investments.
- More competitive prices / bidding.
- VAT and Creditor's Audit to recover unclaimed/under claimed VAT and overpaid

7 OTHER INITIATIVES

7.1 COMMUNICATION STRATEGY

The success of the revenue enhancement program is based on three pillars, namely political and administrative buy-in, accurate data and effective communication.

The development of a Communication strategy is to ensure that roles, responsibilities and tasks are properly coordinated and managed. The communication strategy is focused on the revenue enhancement program and the services that flow from it.

The strategy must be incorporated into the municipalities existing communication program with its stakeholders. This strategy does not replace existing communication methods and practices, but rather complements it.

Newsletters will also be used in order to communicate with our clients and thereby improving the image of the municipality. It will highlight some of the projects and other achievements by the will also be communicated to the public. Businesses could advertise in the newsletter to cover (at least partly) our newsletter and account rendering costs.

7.2 COUNCILLORS COMMUNITY OUTREACH PROGRAMS

The importance of community education cannot be over emphasized. These programs will be motivating consumers to pay, informing them why they should pay for municipal services and again thanking those who are paying promptly.

The outreach programs will assist the Municipality to bridge the perceived gap that between the community and the Municipality. This will increase the level of trust and confidence by the customers, to the Municipality and thus help change the culture of unwillingness to pay by customers.

The community should also be educated about the indigent subsidy (Who qualifies, how is it applied for and how often).

8 CONCLUSION

This Revenue Enhancement Strategy takes effect from date of Council approval and a Revenue Enhancement plan will be developed for implementation of this strategy.